

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-06 IO-04 ISO-00 SWF-01 AID-05 CEA-01

CIAE-00 COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01

CIEP-01 SP-02 STR-01 TRSE-00 LAB-01 SIL-01 SAM-01

OMB-01 AGR-05 H-01 L-01 NSC-05 PA-01 PRS-01 SS-15

USIA-06 SAJ-01 /085 W

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R 301717Z OCT 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 7715

INFO AMEMBASSY BONN

AMEMBASSY TEL AVIV

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TUNIS

USMISSION GENEVA

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USINT ALEGERS

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E.O. 11652: NA

TAGS: PFOR

SUBJECT: EC/MEDITERRANEAN NEGOTIATIONS--STATUS REPORT

REF: A) TEL AVIV 5791 B) EC BRUSSELS 7075 C) EC BRUSSELS 7880

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1. SUMMARY: NEGOTIATIONS BETWEEN TH EC COMMISSION AND THE

MAGHREB COUNTRIES (ALGERIA, MOROCCO AND TUNISIA) WILL BEGIN THIS WEEK AND CONTINUE DURING NOVEMBER, BUT DATES FOR SPAIN AND MALTA HAVE NOT YET BEEN SET. COMMISSION SOURCES ARE CONCERNED LEST SPAIN'S CURRENT RELUCTANCE IN RETURNING PROMPTLY TO THE TALKS IN BRUSSELS MAY CAUSE THE SCHEDULE OF THE NEGOTIATIONS AS A WHOLE TO SLIP EVEN FURTHER. WITH THE EXCEPTION OF ORANGES AND POSSIBLY FINANCIAL AID, THE ISRAELIS BELIEVE THEY HAVE WORKED OUT WITH THE COMMISSION THE MAIN OUTLINES OF AN AGREEMENT THAT WOULD MINIMIZE PROBLEMS FOR US TRADE WITH ISRAEL. END SUMMARY.

2. THE MISSION HAS CONTACTED A NUMBER OF COMMISSION AND PERMDEL SOURCES RECENTLY TO GATHER IMPRESSIONS REGARDING THE CURRENT STATUS OF NEGOTIATIONS UNDER THE COMMUNITY'S "GLOBAL" APPROACH TO THE MEDITERRANEAN. OUR CONTACTS UNIFORMLY EXPRESSED THE VIEW THAT THE COMMUNITY HAS GONE ABOUT AS FAR AS IT CAN IN MEETING THE REQUESTS OF THE INDIVIDUAL COUNTRIES IN THE MEDITERRANEAN GROUP--MOST PARTICULARLY REGARDING THE FINANCIAL AID ASPECT OF THE NEGOTIATIONS. COMMISSION SOURCES EMPHASIZED THAT THE MEDITERRANEAN SIDE CANNOT CONTINUE TO EXPECT THE COMMISSION TO REOPEN SECTORS OF THE NEGOTIATIONS IN WHICH THE COMMISSION HAS GONE TO THE LIMITS (AND POSSIBLY BEYOND) OF ITS COUNCIL MANDATE.

3. SPAIN: COMMISSION AND PERMDEL SOURCES POINTED TO DIFFICULTIES IN RESUMPTION OF TALKS WITH THE SPANISH. EVIDENTLY THE SPANISH ARE IN NO HURRY TO RETURN TO BRUSSELS. A COMMISSION SOURCE TRACED THE CURRENT DELAY TO POLITICAL PROBLEMS IN GAINING THE NECESSARY AGREEMENT IN MADRID ON SPAIN'S APPROACH TO THIS NEXT, AND HOPEFULLY FINAL, ROUND OF TALKS. REPORTEDLY THE PROBLEMS IN MADRID CENTER AROUND THOSE WHO ARGUE THAT THE CURRENT STANDSTILL ARRANGEMENTS OFFER MORE FOR SPAIN THAN THE PROSPECTS OFFERED BY THE EC NEGOTIATIONS FOR A MORE DEFINITIVE ARRANGEMENT. COMMISSION AND PERMDEL (UK) SOURCES ARE QUICK TO POINT OUT, HOWEVER, THAT THIS IS A POOR ARGUMENT IN VIEW OF THE FACT THAT THE STANDSTILL IS PURELY TEMPORARY AND THE STATUS QUO, HOWEVER APPEALING LIMITED OFFICIAL USE

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TO SPAIN, IS NOT LIKELY TO CONTINUE MUCH LONGER. ANOTHER CONTRIBUTING FACTOR TO MADRID'S RELUCTANCE TO RESUME THE TALKS IS THOUGH TO BE CURRENT ACTIVITY BETWEEN THE EC AND PORTUGAL (REFTEL C), ON WHICH THE SPANISH ARE SAID TO BE KEEPING A WARY EYE. IN SUM, COMMISSION SOURCES INVOLVED IN THE NEGOTIATIONS ARE QUITE CONCERNED THAT THEY HAVE NOT YET BEEN ABLE TO SET A DATE FOR RESUMPTION OF NEGOTIATIONS WITH THE

SPANISH AND ARE ANXIOUS LEST IT PREVENT REAL PROGRESS
TOWARD WINDING UP THE NEGOTIATIONS WITH THE OTHER
COUNTRIES INVOLVED, NONE OF WHOM WANTS TO SIGN UNTIL
ALL ARE READY.

4. ISRAEL: AS REPORTED IN REFTEL A TALKS WITH THE
ISRAELIS ARE QUITE ADVANCED WITH THE MAIN ELEMENTS OF AN
AGREEMENT RESOLVED. SUPPLEMENTARY ISSUES RAISED DURING
THE OCTOBER 4-5 ROUND OF EC-ISRAEL TALKS ARE NOW UNDER
CONSIDERATION IN THE COMMISSION. COMMISSION OFFICIALS
DO NOT EXPECT THAT THE ISRAELI REQUEST CONCERNING
"FINANCIAL COOPERATION IN PRINCIPLE" WILL PRESENT MUCH
DIFFICULTY. THEY NOTED, HOWEVER, THAT THE REQUEST FOR
ACCESS TO COMMERCIAL RATE LOANS FROM THE EUROPEAN
INVESTMENT BANK (EIB) DOES COMPLICATE THE SITUATION
SOMEWHAT. BECAUSE THE COMMISSION'S NEGOTIATING MANDATE
DOES NOT COVER THIS POINT, ADDITIONAL COUNCIL DELIBERATION
WILL BE REQUIRED.

5. WITH RESPECT TO THE SCHEDULING OF TARIFF CONCESSION
UNDER THE TRADE REGIME OF THE PROPOSED EC-ISRAEL AGREE-
METN, COHEN, THE ISRAELI DCM, HAS APPROACHED US
INFORMALLY. HE MAINTAINS THAT THE DRAFT REGIME FOR ISRAELI TARIFF
CONCESSIONS HAS BEEN SPECIFICALLY ARRANGED TO ALLOW
PLENTY OF TIME TO WORK OUT ANY PROBLEMS IN US-
ISRAELI TRADE RESULTING FROM THE AGREEMENT.

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R 301717Z OCT 74

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THERE WILL BE TWO LISTS OF PRODUCTS ON WHICH ISRAELI
TARIFFS WILL BE REDUCED IN FAVOR OF THE EC. THE
FIRST LIST COMPRISES APPROXIMATELY 60 PERCENT OF
TOTAL IMPORTS AND INCLUDES, ACCORDING TO COHEN,
MOSTLY RAW MATERIALS AND LOW DUTY ITEMS WITH THE
SCHEDULE OF CONCESSIONS TO BEGIN EFFECTIVE WITH
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ENTRY INTO FORCE OF THE AGREEMENT AND CULMINATING
IN ZERO DUTY ON 1 JANUARY 1980. THE SECOND LIST
INCLUDES 40 PERCENT OF TOTAL IMPORTS BUT, COHEN
SAID, COMPRISES PRACTICALLY ALL PRODUCTS OF INTER-
EST TO US EXPORTERS. DUTY REDUCTIONS ON THIS
SECOND LIST WHICH HAD ORIGINALLY BEEN EXPECTED TO
BEGIN ON 1 JANUARY 1975. WOULD NOT BEGIN UNTIL
1 JANUARY 1978. THEY WOULD , MOREOVER, BE STAGED
OVER AN EIGHT YEAR PERIOD SO THAT ZERO DUTIES
WOULD IN PRINCIPLE TAKE EFFECT ON JANUARY 1, 1985.
THE ARRANGEMENT WOULD, HOWEVER, INCLUDE PROVISION
FOR TWO SEPARATE TWO-YEAR EXTENSIONS BEYOND 1985
TO JANUARY 1, 1989. THUS, ASSUMING THE AGREEMENT
ENTERS INTO FORCE ON 1 JULY 1975, US EXPORT INTERESTS
WOULD NOT BEGIN TO BE AFFECTED UNTIL 1 JANUARY 1978
AND THEN OVER A LENGTHIER PERIOD THAN WAS AT FIRST
ENVISIONED. THIS WOULD ALLOW TIME TO WORK OUT ANY
RESULTANT PROBLEMS IN THE MTN OR BILATERALLY.
(COMMENT: WITHOUT KNOWING WHICH ITEMS APPEAR ON
EACH OF THE TARIFF CONCESSIONS LISTS, THE MISSION
IS IN NO POSITION TO ASSESS THE ACCURACY OF COHEN'S
JUDGMENT ABOUT THE EFFECTS OF THIS ARRANGEMENT ON

US EXPORTS.). NOTWITHSTANDING THE STRETCHED-OUT SCHEDULE FOR ISRAELI CONCESSIONS, THE ISRAELI'S WILL ENJOY ZERO DUTIES IN THE EC FOR THEIR NON-AGRICULTURAL EXPORTS BEGINNING ON JULY 1, 1977 (REFTEL A).

6. AGRICULTURAL PRODUCTS: ACCORDING TO OUR SOURCES THE EC AND THE ISRAELIS ARE NEAR AGREEMENT ON THE ISRAELI REQUESTS BUT THE QUESTION OF ORANGES IS STILL OUTSTANDING (REFTEL A). CURRENTLY THE NEGOTIATIONS CALL FOR THE MAGHREB COUNTRIES TO GET AN 80 PERCENT CUT IN THE EC'S COMMON EXTERNAL TARIFF (CXT) ON ORANGES AND FOR THE ISRAELIS TO GET A 60 PERCENT CUT. ISRAEL WANTS A FIRM COMMITMENT UNDER THE AGREEMENT THAT THE EC WILL, WITHIN FOUR YEARS, GIVE ISRAEL TREATMENT EQUAL TO THAT GIVEN THE MAGHREB. THIS WILL BE ONE OF THE ISSUES TO BE RESOLVED AT THE NEXT ROUND OF TALKS SCHEDULED TENTATIVELY FOR MID-NOVEMBER, DEPENDING ON LIMITED OFFICIAL USE

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PROGRESS IN THE OTHER NEGOTIATIONS.

7. THE MAGHREB: TALKS BETWEEN THE EC COMMISSION AND THE MAGHREB COUNTRIES RESUMED THIS WEEK. TUNISIA (OCTOBER 29-30) WILL BE FOLLOWED BY MOROCCO, SCHEDULED FOR 11-12 NOVEMBER AND ALGERIA, SCHEDULED FOR 26-27 NOVEMBER. TREATMENT OF CERTAIN AGRICULTURAL PRODUCTS, WINE AND THE STATUS OF MIGRANT LABOR ARE ISSUES ON WHICH THE MAGHREB ARE EXPECTED TO CONTINUE TO PRESSURE THE COMMUNITY. GREENWALD

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